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Report of the Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East*

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Summary

The present report of the Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) describes the activities of the Group during 2005 and provides a detailed outline of the current financial situation of UNRWA. The Working Group unanimously adopted the report at its meeting on 18 October 2005. As in previous reports of the Working Group, the present report closes with a number of concluding remarks addressed to all Member States.

* In accordance with paragraph 1, section C, of General Assembly resolution 54/248, the present report is being submitted on 19 October 2005 following its adoption by the members of the Working Group on the Financing of UNRWA.

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I. Introduction: origin and background of the Working Group

1. The Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) was established by the General Assembly under resolution 2656 (XXV) of 7 December 1970 to study all aspects of the financing of the Agency. In that resolution, the Assembly requested the Working Group to assist the Secretary-General and the Commissioner-General of UNRWA in reaching solutions to the problems posed by the Agency's financial crisis.

2. At its twenty-fifth session and all those that followed, the General Assembly considered the reports submitted to it by the Working Group (most recently, A/59/442)[1] and adopted resolutions commending the efforts of the Working Group and requesting it to continue them for a further year (most recently, resolution 59/119).

3. The Working Group consists of the representatives of France, Ghana, Japan, Lebanon, Norway, Trinidad and Tobago, Turkey, the United Kingdom of Great Britain and Northern Ireland and the United States of America. The Chairman of the Working Group is Baki Ilkin of Turkey.

II. Activities of the Working Group during 2005

4. During the year, the Working Group held two meetings, the first on 8 September in which the newly appointed Commissioner-General, Karen Koning AbuZayd, briefed the Working Group on the Agency's financial situation and developments facing the Agency. The Chairman of the Group expressed the Working Group's strong support for the Commissioner-General and looked forward to continuing cooperation between the Working Group and the Agency. The second meeting was held on 18 October 2005, during which the Working Group adopted the present report.

III. Financial situation of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

5. The Agency's cash and in kind regular budget for the biennium 2004-2005 was $751 million, of which $351 million was for 2004 and $400 million was for 2005. In 2004, the Agency received $342.3 million in income, leaving a funding gap of $8.7 million. In 2005, the cash and in kind budget of $400 million was revised from $361 million to include key activities from the Agency's medium-term plan, post-disengagement plan and the emergency appeal. In her 8 September briefing, the Commissioner-General informed the Working Group that, as at 8 September, the anticipated funding gap for 2005 was $11.1 million. The Agency's regular budget income for 2005 was expected to be some $389 million ($346.2 million in contributions from donors, $21.7 million in in kind contributions, $17.8 million in income from the United Nations and $3 million in interest income and exchange rate gains). The Commissioner-General also informed the Working Group that a combination of exchange rate gains and increased contributions by some donors had helped reduce the UNRWA funding gap to a level below previous years ($15.4 million in 2003 and $20.3 million in 2002). However, she noted that the project

budget deficit for 2004 was $25.2 million, and that in 2005 it was expected to be $20.1 million.

6. Owing to improvements in the reimbursement of value added tax (VAT) to UNRWA by the Palestinian Authority, the Agency as at 31 December 2004 was only due $13.2 million in VAT reimbursements (down from $21.7 million at 31 December 2002). UNRWA, however, was concerned about port and related charges due to the Agency, exacerbated by security procedures imposed on humanitarian goods imported through Israel by UNRWA. The charges totalled $27.6 million as at 31 December 2004. The Agency's position is that the obligation to pay port and related charges remains with Israel pursuant to the terms of the 1967 Michelmore-Comay Agreement.

7. The Agency's regular budget for the biennium 2006-2007 is some $995 million, of which $489 million is allocated for 2006. The UNRWA project budget for 2006-2007 is $286 million, of which $150.5 million is allocated for 2006. This budget, which was prepared in consultation with Agency stakeholders, reflects a needs-based rather than a finance-constrained approach, detailing not only what is required to halt the decline in service quality over the past decade, but also to meet the objectives of the Agency's medium-term plan. The Advisory Committee on Administrative and Budgetary Questions considered the 2006-2007 budget on 9 September 2005, and recommended its approval.

8. The Working Group appreciated the briefing by the Commissioner-General on the follow-up to the Geneva Conference, in particular the plans to expand the Advisory Commission and widen participation in the meetings of host and donor countries, measures that were part of the wider consultations on improving interaction with stakeholders on programme, budget and resource mobilization, and governance issues, undertaken with a view to strengthening collaboration and gaining greater support for the Agency. The Working Group also noted that the budget, which had increased by 30 per cent over the previous biennium, included key elements from current and past emergency interventions such as psychosocial counselling, as well as from the 2005-2009 medium-term plan. The medium-term plan had been developed in consultation with key stakeholders to address the increasing needs of a growing refugee population, to upgrade Agency services and to rehabilitate infrastructure adversely affected by years of underfunding, and to bring Agency services up to the standards of the host Governments. The Group further noted that the Agency had taken positive steps in planning to increase its job creation, microfinance, reconstruction of demolished shelters and camp development in response to Israel's disengagement from Gaza, in consultation with the Quartet's Special Envoy for Gaza Disengagement James Wolfensohn, and with the Palestinian Authority.

9. The Working Group recognized the need for certain emergency operations to continue in the occupied Palestinian territory, e.g., food aid and cash assistance, until conditions in these two areas had sufficiently improved. Economic hardship and high unemployment rates remained a major problem in both Gaza and the West Bank. While the Working Group noted with appreciation the value of funds received by UNRWA for its emergency activities in the occupied Palestinian territory, it was concerned about reduced coverage of the identified needs. Against a total request of $185.8 million for the 2005 emergency appeal, the Agency had received only $92.9 million in confirmed pledges as at 30 September 2005. Some $30.2 million of the

total amount pledged remained outstanding. In addition, against a total request for $739.2 million for prior-year emergency appeals, the Agency had received only $432.2 million in pledges. Some $6 million of the pledged amount remained outstanding. The Working Group encouraged donors to increase their contributions to the Agency's 2005 appeal and to pay outstanding contributions for prior-year appeals.

10. The Working Group noted with appreciation that the Commissioner-General and her colleagues had continued to make strenuous efforts to keep stakeholders engaged and informed, through regular consultations with donors and host authorities. The Group was further encouraged by plans to revitalize the role and expand the membership of the Advisory Commission of UNRWA, as well as by efforts to expand the donor base and to engage all donors in host and donor meetings.

IV. Concluding remarks

11. The Working Group notes positively the declining funding gap for the Agency's regular budget, but remains concerned that the trend will not be maintained as some of the Agency's income in 2005, such as exchange-rate gains, may not be realized in the future. The Group reiterates that it is the responsibility of the international community to ensure that UNRWA services are maintained at an acceptable level in quantitative and qualitative terms and to ensure that funding keeps pace with the steady natural growth of the refugee population.

12. The Working Group commends the Commissioner-General and all UNRWA staff for their tireless efforts to maintain the basic operations of the Agency despite the constraints on the availability of resources and access problems on the ground that they have faced. It commends the Commissioner-General also for her fund-raising efforts and for her commitment to keeping the major donors and host authorities informed and involved, opening new avenues of support and funding and seeking a broader base of donors. The Working Group encouraged UNRWA to continue efforts to widen the donor base.

13. The Working Group calls for the early and complete fulfilment of pledges and other commitments to UNRWA, in particular the reimbursement of VAT and port charges by the Palestinian Authority and the Government of Israel.

14. The Working Group urges the international community to fund fully the 2006-2007 budget, which has been prepared on a needs basis, as it will enable the Agency to reverse the effects of successive years of underfunding to bring services up to host Government standards and to build capacity within UNRWA.

15. The Working Group continues to believe that UNRWA plays a vital role in preserving the stability and security of the region, and that adequate funding of the Agency's programmes, in accordance with properly estimated needs of the refugee community, is essential to ensuring this. The Group notes that the improvement in 2004 and 2005 of the Agency's financial situation was a welcome development, but would have to be sustained and substantially increased to meet the requirements of the 2006-2007 budget.

16. In view of the continuing humanitarian difficulties in the occupied Palestinian territory, and the absence of any turnaround in high rates of poverty and

unemployment in the near future, the Working Group recognizes the need for certain elements of UNRWA emergency interventions to continue in the West Bank and Gaza Strip. Others have already been incorporated into the regular budget. Interventions envisioned in post-disengagement planning in which UNRWA is foreseen to take the lead include job creation, microfinance, the reconstruction of destroyed shelters and camp development.

17. The Working Group calls upon the Government of Israel to enhance its cooperation with the Agency to maximize the benefit of donor contributions by ensuring speedy delivery of UNRWA services.

18. The Working Group agrees that the problem of the refugees is deeply rooted in a political issue that originated more than half a century ago, and that it remains essential to settle this problem once and for all in accordance with all relevant United Nations resolutions. The problems faced by the refugees today are, however, humanitarian ones that must be addressed as a shared international responsibility. The services provided by UNRWA must be viewed as the minimum required to enable the refugees to lead productive lives. Any further reduction in those services would not only unfairly deprive the refugees of the minimum level of support to which they are entitled, but could also have a destabilizing effect on the entire region. Above all, the Group expresses the hope that the international support for UNRWA embodied in the resolutions adopted each year by the General Assembly, in which the Assembly recognizes the importance of the work of the Agency and requests that Governments contribute to it, will be translated into increased support to ensure the continuation of the Agency on a sound financial basis.

19. The Working Group therefore strongly urges all Governments to bear in mind the foregoing considerations when deciding upon the level of their contributions to UNRWA for 2006 and once again:

(a) Urges Governments that have not yet contributed to UNRWA to start to do so;

(b) Urges Governments that have so far made only relatively small contributions to increase their contributions;

(c) Urges Governments that in the past have made generous contributions to UNRWA to continue to do so in a timely manner and to strive to increase them;

(d) Urges Governments that traditionally have shown special interest in the welfare of the Palestine refugees, both in the region and beyond, to begin contributing or to increase their contributions;

(e) Urges Governments to fully fund the Agency's 2006-2007 budget and to consider making special contributions in support of the strategic planning initiatives the Agency has launched with its medium-term plan, so that the Agency can bring UNRWA services up to levels prevailing in the host authorities, and to ensure that donor support of emergency-related and special programmes or capital projects does not in any way decrease or divert contributions to the Agency's regular programme.

Notes

[1] For the consideration of the most recent report of the Working Group (A/59/442), see A/59/470.